HON. MARCY KAPTUR
Â OF OHIO
IN THE HOUSE OF REPRESENTATIVES
TUESDAY, JUNE 13, 2006

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Â Ms. KAPTUR. Mr. Speaker, the red ink continues to pile up, both in our budget deficit and in America's trade deficit. The Commerce Department reported on Friday that the trade deficit is rising again, pushed up by oil prices and a flood of more imports from China. With oil imports over $70 a barrel, we know this trade deficit is going to swell as the year proceeds. The Commerce Department reported that the gap between what the United States sells abroad and what it imports rose to $63.4 billion in April, 2.5 percent higher than the March imbalance of $61.9 billion. We know that the trade deficit in both February and March just fell a tad, but it had hit an all-time high this January of $66.2 billion. And while economists noted that the April deficit was smaller than the $65 billion that had been expected, it is still the sixth largest trade deficit on record.

This is a chart that takes a look at what has been happening ever since this Congress unfortunately passed NAFTA back in the early 1990s, followed by permanent normal trade relations with China, and what could be normal about that? Every single year the red ink gets deeper.

Through the first 4 months of this year, the trade deficit is running 1.9 percent above the same period a year ago putting our country on track toÂ run up a record deficit again for a fifth straight year. Last year's deficit, as this chart indicates, was three-quarters of $1 trillion, three-quarters of $1 trillion.

To cover this red ink, we have to borrow. We have to import capital to offset what we are not exporting in goods. America is in uncharted waters. We have never, ever experienced this situation before. Some people have commented that our country is handing over $2 billion a day to foreigners to cover this trade gap. The increase in the April trade deficit reflected a .7 percent rise in imports which climbed to $179.1 billion, the second highest level on record. In other words, the trend is in the wrong direction.

In addition to higher oil bills, imports of autos and auto parts were up and shipments of consumer goods from China such as furniture, televisions, video recorders and toys all rose. More imports coming in, fewer imports going out. Major U.S. companies like La-Z-Boy are having trouble in the market, because products are coming in from China where workers make pennies a day.

We have lost our entire television industry. Not a single television is made in this country any more. Companies in the automotive parts industry like Delphi are trying to struggle to hang on.

We are living through the hollowing out of our country. We are propping up this loss of real wealth and production capacity with borrowed capital. We are in uncharted waters. America has never been here before.

The markets are reflecting it. Today, in the New York Times, major headline: Broad economic worries drive global sell-off. What is happening is there are huge drops in the market. Standard & Poor 500 stock index fell 1.3 percent, erasing all of its gains for this year and closing at its lowest level since November. The NASDAQ fell more than 2 percent and the Dow Jones Industrial Average fell almost 1 percent. Damage was far worse in markets around the world.

American manufacturers claim, well, you know, the problem is just with China that their currency is undervalued by as much as 40 percent. But I can remember when they said that to me about Japan 16 years ago. *Marcy*, when the yen-dollar relationship comes into balance, we will have a trade surplus with Japan. No, no.

No trade surplus with Japan because they still have a closed market, and we act like they don't. So we take their products, but they don't take our products. So Japan has now become our largest financer, and every day we pay them interest on their greater and greater loans to us.

Mr. Speaker, America cannot continue on this course. In fact, analysts are saying the deficit will set an even higher record this year, probably close to $1 trillion, if we keep going at the rate that we are going today. The deficit with Japan rose by 2.8 percent in April to $7.8 billion.

The deficit with Canada rose 16.3 percent to $6.1 billion in April, while our imbalances with Mexico, with Korea, well, gosh, with about every other country in the whole world, just kept going up. The sad thing for our country is it looks like this year will be the first year in our history we will import more agricultural goods than we export. This is not the America we should be leaving to our children and grandchildren.

Let's elect people to this Congress and to this Presidency who will put America's financial house in order and make us independent again.

[From the New York Times, June 13, 2006]

Broad Economic Worries Drive a Global Sell-Off

(By Vikas Bajaj and Jeremy W. Peters)

Fears about higher interest rates, rising inflation and a slowing economy sent stocks sharply and broadly lower yesterday, with emerging markets taking the biggest hit.

In the United States, the Standard & Poor's 500-stock index fell 1.3 percent, erasing all of its gains for the year and closing at its lowest level since November. The Nasdaq fell more than 2 percent and the Dow Jones industrial average fell almost 1 percent.

But the damage was far worse in some other parts of the world. Trading at the Colombian stock exchange was briefly halted after its benchmark index fell more than 10 percent. Mexico's benchmark stock index fell 4.3 percent, its biggest one-day decline in more than 3 years. Markets in India, Brazil and Hungary also tumbled.

Emerging markets had enjoyed a strong surge in recent years because low interest-rate policies around the world pumped cheap money into the global economy, analysts said.

``Global liquidity has helped drive a lot of these risky assets,'' said Larry Adam, chief investment strategist at Deutsche Bank Alex Brown. ``And now you are seeing this flight to quality,'' including cash and investments in developed countries, he said.

At first glance, stocks in the United States and Western Europe do not appear to have benefited from the emerging-market retreat, but money coming out of emerging markets may be helping to cushion the blow, Mr. Adam said.

Yesterday's sell-off started early and gathered pace throughout the day. Some analysts suggested that a major catalyst was a speech by the president of the Federal Reserve Bank of Cleveland, Sandra Pianalto, in which she said that inflation was higher than her ``comfort level.''

Ms. Pianalto was the latest Fed official to express concerns about inflation in the last several days, a drumbeat that many investors think is a not-so-subtle message that the central bank will raise short-term interest rates, now at 5 percent, at its next meeting on June 29. Earlier, the Fed had indicated that it might pause in its two-year campaign of raising rates.

The Fed is ``adding to a little of this hysteria that is building,'' said James W. Paulsen, chief investment strategist at Wells Capital Management.

To be sure, Ms. Pianalto, who is one of the 11 officials who vote on Fed's interest rate policies, said that inflation, though worrisome, was not an ominous threat to the economy.

``Measures of long-term inflation expectations have been mixed lately, but, on the whole, I regard them as remaining contained,'' she said to a gathering of the Broadcast Cable Financial Management Association in Florida. The challenge of Fed policy makers, she said, ``is to make sure that they stay contained."

The government will issue reports on wholesale and consumer inflation today and Wednesday. Excluding energy and food prices, economists expect both the producer price and consumer price indexes to have risen 0.2 percent in May, a rate considered to be modest by most experts.

The biggest loser yesterday, as in the last few weeks, was the technology industry. Many large technology companies, struggling to match past growth as they mature, have been lowering their profit projections.

For the second quarter, the technology area's profits are expected to to fall 2 percent from the same period last year while the overall increase in the S.& P. 500 is expected to be 10 percent, noted Howard Silverblatt, senior index analyst at Standard & Poor's. ``This is supposed to be a growth industry," he said.

The Nasdaq was led downward by Qualcomm, the maker of wireless technology, which fell 5 percent yesterday after it filed a complaint against its rival Nokia as part of a lengthy patent fight.

Shares of Apple fell almost 4 percent, apparently reflecting investors' concerns about efforts by some European countries to force the company to open up its music software to devices other than the iPod.

One of the few exceptions to yesterday's broad sell-off was General Motors, which rose 43 cents, or 1.7 percent, to $25.78. It was the Dow's biggest gainer. The shares moved higher as the president of the United Automobile Workers, the company's biggest union, told members that the union would have to rethink its traditional positions to ensure the domestic automobile industry's survival.

The stock also appeared to be reflecting investors reaction to news of an agreement late Friday that could avert a costly strike at G.M.'s largest supplier, Delphi.

Many market experts remain convinced that the recent correction in stock prices will prove temporary and will be contained to a few areas. They note that inflation, though rising, remains low by historical standards.

But the market's volatility has intensified and will probably remain high, analysts say.

``It is a retrenchment,'' Mr. Silverblatt said. But ``companies are still in good shape.''

The Dow fell 99.34 points, to close at 10,792.58, its lowest level since Feb. 7. The S & P 500 declined 15.90 points, to 1,236.40. The Nasdaq fell 43.74 points, to 2,091.32. The Russell 2000 stock index of smaller-capitalization companies, fell 18.2 points, or 2.6 percent, to 683.19. Declining issues led advancing stocks by 3 1/2 to 1 on the New York Stock Exchange.

Treasuries fell slightly. The price of the benchmark 10-year note fell 1/32, to 1014/32. The yield, which moves in the opposite direction of the price, rose to 4.98 percent, from 4.97 on Friday.